

**Division of Oil and Gas**  
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## MEMORANDUM 2006-1

To: All Indiana Oil and Gas Operators  
From: Herschel McDivitt, Director  
Date: March 14, 2006  
Subject: Inactive Wells

Following the inspection of a significant number of well sites and a thorough review of the Oil and Gas Act (IC 14-37) and Indiana's regulations at 312 IAC 16-5-20 regarding plugging and temporary abandonment of wells, it has become apparent that changes must be made to our inspection procedure as well as the process for granting Temporary Abandonment (TA) status. At issue are a significant number of wells that do not appear to be actively producing oil or gas. These wells are not actively tended by the permittee nor have they produced oil or gas for many months. Many are incapable of production and have the pumping unit disconnected, motors removed, or other essential components missing or inoperable. These wells have not been plugged and they have not been approved for TA status.

The current Oil and Gas Act contains provision addressing inactive wells and temporary abandonment status. IC 14-37-8-1(a) reads as follows:

IC 14-37-8-1 When plugging and abandonment required

Sec. 1. (a) An owner or operator shall plug and abandon a well that:

- (1) is completed as a nonproductive well;
  - (2) ceases to produce oil or natural gas; or
  - (3) is no longer operated for the purpose for which the well is permitted;
- unless the owner or operator is authorized to delay the plugging and abandonment of the well under section 8 of this chapter.

In the past, Oil and Gas Inspectors have been directed to view wells that are "hooked to flow" as "active" even though the pumping unit may have been disconnected from the rods or even removed completely and the well is not otherwise tended on a regular basis. We estimate that more than 3,000 wells that have been previously classified as "active" may in fact be "inactive".

The number of inactive wells is of concern for the following reasons:

- A. These wells may be causing or contributing to the contamination of underground sources of drinking water where tubing or casing is not properly maintained or when fluid levels remain high in the well bore.
- B. These wells pose an increased risk for discharges of crude oil or produced water into the environment because they are not visited regularly by the operator.
- C. Such wells, unless produced or plugged properly, pose an increasing financial risk to the State of Indiana and an increased burden on the Environmental Fund in the event such wells are abandoned by the operator and left to be plugged by the Division of Oil and Gas.

None of the above risks are acceptable nor are they in the best interests of the citizens of Indiana. Accordingly, the Division of Oil and Gas will implement the following changes to our inspections and enforcement program:

- 1. To be viewed as an "active" well, a well must be both equipped with all equipment and utilities necessary to operate the well, and operated for the purpose for which it was permitted.
  - a. Necessary equipment includes operable equipment downhole, at the wellhead, between the wellhead and tank battery or injection facility, and at the tank battery or injection facility including tanks, pumps,

separators, etc. Included are necessary electrical or natural gas utilities supplying any of the equipment. Wells that have been “hooked to flow” only, without sufficient other equipment to operate the well will not be considered active. Flowing wells may be considered active only if properly equipped with valves to control well pressures and fluid flow as well as pressure gauges to monitor tubing pressure, line pressure, and annular pressure and the operator can provide evidence that the well is operating and producing measurable quantities of oil or natural gas.

- b. A well is considered operating when it has actively produced oil or natural gas in measurable quantities, or has been used for the injection of fluids for underground storage, enhanced oil recovery, or disposal purposes, within the last 60 days. The operator should be able to document the measurable quantities of oil or natural gas or injection fluids that have been produced or injected upon request. Wells that are actively operating should also have evidence that the well has been tended by a pumper on a regular basis as evidenced by removal of weeds and other obstructions, maintenance of required signs, proper operation and maintenance of equipment, and with physical evidence that the well is being tended on a regular basis.
2. A well may continue to be classified as “active” even though it will be inactive for a period longer than 60 days due to the well needing repair or workover operations to return it to production, provided the operator notifies the Oil and Gas Inspector of the well’s status and it is returned to active production within 180 days of the date of last production or use of the well. To determine the correct status of the well, an operator may be asked to provide information verifying the last date of production from or use of the well.
3. Wells that do not meet the definition of an “active” well as previously described, will be deemed “inactive” and subject to plugging unless the operator receives authorization to defer the plugging of the well or a request is made to place the well on Temporary Abandonment (TA) status. The request for TA status must be made on new forms developed for that purpose.

In order to provide ample time for operators to evaluate their wells and develop appropriate plans to either plug or return the wells to production, or to request TA approval, we will not fully implement the new guidance until September 1, 2006, except for instances where inactive wells are suspected of causing or contributing to contamination of underground sources of drinking water, or where inactive wells pose a threat of a discharge of crude oil, natural gas, or produced water into the environment. Forms for requesting Temporary Abandonment and Plugging Deferrals are attached but may also be obtained from our website at <http://www.in.gov/dnr/dnroil/forms/index.html>.

Operators with fifty (50) or more inactive wells needing reviewed for potential TA status, may request an extension of time to submit their TA or deferral applications beyond September 1<sup>st</sup> by submitting a written request to the Division of Oil and Gas. However, it is recommended that the requestor shall have prepared and submitted at least 30 to 50% of their applications by the September 1<sup>st</sup> date.

All operators are encouraged to begin submitting their TA or plugging deferral requests by June 1, 2006. After September 1, 2006, if no information has been received from an operator, when Oil and Gas Inspectors observe a well that does not appear to be “active” using the above guidance, the operator will be issued a “Warning of Non-Compliance” and required to respond within thirty (30) days by providing evidence that the well is active, or by submitting the appropriate TA or plugging deferral application for approval by the Division. No “Warning of Non-Compliance” will be issued for wells where the operator has already submitted the appropriate information and is awaiting review and approval by the Division. If a suitable response is not provided as required under the “Warning of Non-Compliance”, the operator will be issued a “Notice of Violation” and could be assessed a civil penalty of up to \$1,000 per well for failure to comply.

While these changes may reflect a departure from past practices, I believe they are consistent with existing law and regulation. We have scheduled three (3) informational meetings to provide further explanation of the new requirements and to answer questions operators may have.

The meetings are scheduled for: Tuesday, March 21, 2006, at 6:30 p.m. (Central) at the Division of Oil and Gas Evansville Office located at the Angel Mounds Historic Site, 8215 Pollack Ave., Evansville, IN 47715; Wednesday, March 22, 2006, at 6:30 p.m. (Eastern) at the Executive Inn, 1 Executive Blvd, Vincennes, IN 47591; and on Monday, March 27, 2006, at 6:30 p.m. (Eastern) at the Nature Center, Mounds State Park, 4306 Mounds Road, Anderson, IN 46017.

Questions regarding this document can be directed to Jim AmRhein, [jamrhein@dnr.in.gov](mailto:jamrhein@dnr.in.gov), phone (317) 232-6961 or to me, [hmcdivitt@dnr.in.gov](mailto:hmcdivitt@dnr.in.gov), phone (317) 232-4058.